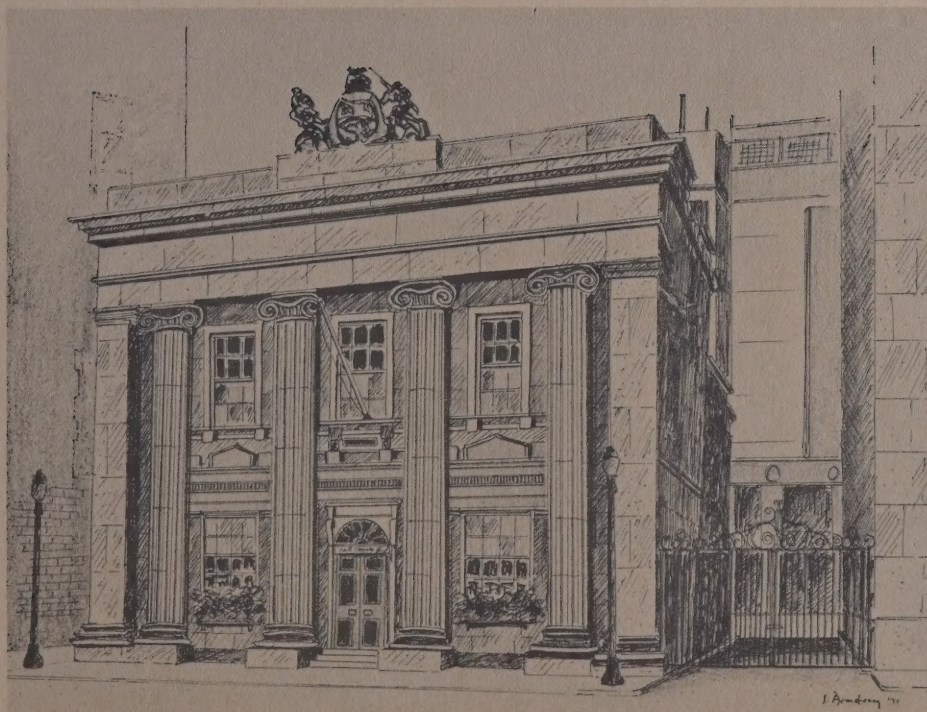


ARGUS CORPORATION LIMITED

31st Annual Report

NOVEMBER 30, 1976



No. 10 Toronto Street

This historic building in Toronto, Canada, constructed in 1852, was acquired by Argus Corporation Limited as its head office in 1959. The architects were Messrs. Cumberland and Storm.

Board of Directors

*ALEX E. BARRON Toronto

CONRAD M. BLACK Toronto

H. J. CARMICHAEL Toronto

DIXON S. CHANT Toronto

*A. L. FAIRLEY, JR. Birmingham, Alabama

ALEX D. HAMILTON Montreal

*H. N. R. JACKMAN Toronto

*A. BRUCE MATTHEWS. Toronto

THOMAS G. MCCORMACK Toronto

H. T. MCCURDY. Toronto

*JOHN A. MCDUGALD Toronto

D. A. MCINTOSH, Q.C. Toronto

ALLEN A. MCMARTIN Bermuda

*MAXWELL C. G. MEIGHEN Toronto

JAMES N. SWINDEN Toronto

A. A. THORNBROUGH Boca Raton, Florida

*Members of the Executive Committee

Officers

Chairman of the Board and President JOHN A. MCDUGALD

Executive Vice-President A. BRUCE MATTHEWS

Vice-President and Chairman of the Executive Committee. MAXWELL C. G. MEIGHEN

General Manager. JAMES N. SWINDEN

Secretary. HARRY H. EDMISON

Treasurer JAMES R. WRIGHT, C.A.

ARGUS CORPORATION LIMITED

10 TORONTO STREET, TORONTO, CANADA M5C 2B7

Annual Report

TO THE SHAREHOLDERS OF
ARGUS CORPORATION LIMITED

December 21, 1976.

Your directors present the balance sheet as at November 30, 1976, the statement of income and expenses and the statement of changes in financial position for the year ended on that date. Also shown are comparative figures for the previous year.

The balance sheet shows the Corporation's investments carried at market value and provision has been made for deferred income taxes payable under the hypothetical assumption that the investments were sold at market prices prevailing on November 30, 1976, and on November 30, 1975 for the comparative statement. In our opinion, such a provision is not a definitive figure. Unrealized gain on investments is estimated at \$62,420,203 at November 30, 1976 and \$83,860,581 at November 30, 1975.

As at November 30, 1976, the net asset value of each of the Corporation's Class C shares and common shares was \$18.77, before providing for the deferred income taxes on capital gains referred to above. Such taxes, if applicable, would amount to approximately 79¢ per share. The comparable net asset value of each Class C and common share at November 30, 1975 was \$20.53 and the comparable deferred income taxes on that date were \$1.36 per share.

Income from investments during the year amounted to \$11,908,734 compared to \$13,078,980 in the previous year. Expenses were \$363,873 compared to \$389,040 (excluding interest of \$504,795) for the previous year. Net income amounted to \$11,380,461 compared to \$12,137,745 for the year ended November 30, 1975 (\$1.16 compared with \$1.25 per Class C and common share). Earned surplus amounted to \$61,683,782 at November 30, 1976.

In addition to the regular dividends on the Corporation's Class A and Class B Preference Shares, dividends totalling 80¢ per share were paid on the Class C and the common shares during the year. Such payments were within the levels permitted under the Canadian Government's Anti-Inflation Act.

In June, 1976, your Corporation's remaining holding of 500,000 common shares of British Columbia Forest Products Limited was sold to a syndicate of investment dealers. The capital gain on such sale as reported in the attached surplus account amounted to \$8,130,946 after provision for income taxes of \$1,457,728.

85,000 common shares of Hollinger Mines Limited were purchased during the year increasing the Corporation's holding to 1,135,000 shares.

Since November 30, 1975, 3,111 Class A Preference Shares \$2.50 Series and 3,300 Class A Preference Shares \$2.60 Series were purchased and cancelled.

Two additional dividends have been received since the Corporation's fiscal year-end. Dominion Stores Limited paid an extra dividend of 7¢ per common share on December 15 in addition to the regular quarterly dividend of 21¢ per share. Massey-Ferguson Limited increased the regular quarterly payment of 25¢ on its common shares on December 20 by an extra of 8¢ per share.

We record with deep sorrow the sudden death last summer of Mr. George M. Black, Jr., who was a Vice-President of your Corporation since 1969 and a director since 1951. Mr. Black's important contributions to Argus and its investment interests will be long and gratefully remembered.

During the year your Board of Directors accepted the resignation of Mr. E. P. Taylor as a director of the Corporation.

In September, 1976, Mr. Conrad M. Black, President of Western Dominion Investment Company Limited, and Mr. Alex D. Hamilton, President and Chief Executive Officer of Domtar Limited, were elected to your Board of Directors.

Shareholders, on request, will receive copies of the annual reports of the companies which comprise the Corporation's investments.

Submitted on behalf of the Board,

JOHN A. MCDUGALD,
Chairman and President.

A. BRUCE MATTHEWS,
Executive Vice-President.

ARGUS CORPORATION LIMITED

Balance Sheet—NOVEMBER 30, 1976

(with comparative figures at November 30, 1975)

ASSETS		1976	1975
INVESTMENTS IN COMMON SHARES:			
Securities at quoted market value (Note 1)		\$176,347,931	\$200,918,563
Cost—			
November 30, 1976—\$107,189,033			
November 30, 1975—\$105,579,622			
CASH IN BANKS		75,722	74,735
SHORT-TERM SECURITIES, at cost plus accrued interest		13,918,586	2,931,700
INCOME AND CAPITAL TAXES RECOVERABLE		—	7,761
CASH SURRENDER VALUE OF LIFE INSURANCE POLICIES		509,600	496,300
OTHER ASSETS		134,809	134,293
HEAD OFFICE PREMISES, (No. 10 Toronto Street)—			
land, building and furnishings, at nominal value		1	1
		<u>\$190,986,649</u>	<u>\$204,563,353</u>
LIABILITIES			
DIVIDENDS PAYABLE	\$	1,692,715	\$ 1,692,714
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		26,924	35,959
INCOME AND CAPITAL TAXES PAYABLE		1,576,032	—
DEFERRED INCOME TAXES (Note 1)		6,738,695	11,478,360
CAPITAL AND SURPLUS:			
Capital stock (Note 2)—			
Number of shares			
Authorized	Issued		
275,800			
104,845	Class A Preference—		
170,955	\$2.50 Series, cumulative	5,242,250	5,397,800
	\$2.60 Series, cumulative	8,547,750	8,712,750
1,000,000	Class B Preference—		
300,000	Cumulative, 1962 Series, \$2.70 dividend	15,000,000	15,000,000
6,770,944	Class C Participating Non-Voting Preference	21,644,825	21,644,825
10,000,000	Common	5,411,206	5,411,206
		<u>55,846,031</u>	<u>56,166,581</u>
Contributed surplus, realized on purchase for cancellation of preference shares			
(including \$140,124 arising during the year ended November 30, 1976)		1,002,267	862,143
Earned surplus		61,683,782	50,467,015
Unrealized gain on investments		62,420,203	83,860,581
		<u>180,952,283</u>	<u>191,356,320</u>
		<u>\$190,986,649</u>	<u>\$204,563,353</u>

APPROVED BY THE BOARD:

JOHN A. McDOUGALD, Director

A. BRUCE MATTHEWS, Director

ARGUS CORPORATION LIMITED

Statement of Earned Surplus—FOR THE YEAR ENDED NOVEMBER 30, 1976 (with comparative figures for the year ended November 30, 1975)

	1976	1975
Balance at beginning of year	\$ 50,467,015	\$ 47,488,320
Net income for the year	11,380,461	12,137,745
Gain on sale of investment, less income taxes of \$1,457,728	8,130,946	—
	<u>69,978,422</u>	<u>59,626,065</u>
Dividends:		
Class A Preference Shares \$2.50 Series	265,286	273,936
Class A Preference Shares \$2.60 Series	448,488	457,902
Class B Preference Shares 1962 Series	810,008	810,008
Class C Participating Preference Shares—		
Regular	5,416,686	5,078,138
Extra	—	1,015,625
Common Shares—		
Regular	1,354,172	1,269,535
Extra	—	253,906
	<u>8,294,640</u>	<u>9,159,050</u>
Balance at end of year	<u>\$ 61,683,782</u>	<u>\$ 50,467,015</u>

Statement of Unrealized Gain on Investments—FOR THE YEAR ENDED NOVEMBER 30, 1976 (with comparative figures for the year ended November 30, 1975)

	1976	1975
Balance at beginning of year	\$ 83,860,581	\$ 63,767,161
Increase (decrease) in unrealized gain on investments	(26,180,043)	25,890,466
Decrease (increase) in deferred income taxes	4,739,665	(5,797,046)
Balance at end of year	<u>\$ 62,420,203</u>	<u>\$ 83,860,581</u>

NOTES TO FINANCIAL STATEMENTS

November 30, 1976

1. SUMMARY OF ACCOUNTING POLICIES:

Investments in common shares—

The investments in common shares are carried in the balance sheet at quoted market value which is determined by pricing the holdings in each security at the closing quoted market prices as at November 30. Such amounts do not necessarily represent the value of entire blocks which may be more or less than that indicated by market quotations.

Provision has been made for deferred income taxes that would be payable if the investments had been realized on November 30 at the indicated quoted market value on that date.

Dividend income—

Dividend income is recognized in the statement of income and expenses on a cash received basis.

Head office premises—

Head office premises are carried at nominal value and all capital additions are charged to expense as incurred.

2. CAPITAL STOCK:

(a) The Class A and Class B preference shares have a par value of \$50 each and are issuable in series; the Class C preference shares and the common shares are without par value.

The issued Class A and Class B preference shares carry cumulative dividends and are redeemable at the option of the Corporation at \$52.50 per share and accrued dividends.

The Class C preference shares, subject to the prior rights of the Class A and Class B preference shares, participate equally with the common shares in (i) any dividends paid in any fiscal year after 30¢ per share has been paid on each Class C preference share and common share and (ii) any distribution of assets.

(b) During the year ended November 30, 1976, 3,111 Class A preference shares \$2.50 series and 3,300 Class A preference shares \$2.60 series were purchased and cancelled.

3. ANTI-INFLATION ACT:

The Corporation is subject to and is complying with dividend restrictions imposed by the Federal Government's Anti-Inflation Act.

ARGUS CORPORATION LIMITED

Statement of Income and Expenses—FOR THE YEAR ENDED NOVEMBER 30, 1976 (with comparative figures for the year ended November 30, 1975)

	1976	1975
Income:		
Dividends received	\$11,186,238	\$12,072,338
Interest earned	722,496	1,006,642
	<u>11,908,734</u>	<u>13,078,980</u>
Expenses:		
Salaries of officers and employees	112,000	107,200
Directors' fees	17,920	17,750
Transfer agents' and registrars' fees and expenses	35,301	62,513
General office and administrative expenses	198,652	201,577
Interest on secured notes	—	504,795
	<u>363,873</u>	<u>893,835</u>
Income before income taxes	11,544,861	12,185,145
Income taxes	164,400	47,400
Net income for the year	<u>\$11,380,461</u>	<u>\$12,137,745</u>
Earnings per Class C preference and common share	<u>\$1.16</u>	<u>\$1.25</u>

Statement of Changes in Financial Position—FOR THE YEAR ENDED NOVEMBER 30, 1976 (with comparative figures for the year ended November 30, 1975)

	1976	1975
Cash in banks and short-term securities at beginning of year	\$ 3,006,435	\$12,642,446
Source of funds:		
Net income for the year	11,380,461	12,137,745
Proceeds from sale of investment, less income taxes	9,542,272	—
Increase in income and capital taxes payable	1,576,032	—
Decrease in income and capital taxes recoverable	7,761	21,441
	<u>\$25,512,961</u>	<u>\$24,801,632</u>
Application of funds:		
Dividends paid	\$ 8,294,640	\$ 8,735,867
Purchase for cancellation of Class A preference shares	180,426	184,161
Purchase of investments	3,020,737	2,828,600
Redemption of 5½% secured notes Series C	—	10,000,000
Other	22,850	46,569
	<u>11,518,653</u>	<u>21,795,197</u>
Cash in banks and short-term securities at end of year	<u>13,994,308</u>	<u>3,006,435</u>
	<u>\$25,512,961</u>	<u>\$24,801,632</u>

ARGUS CORPORATION LIMITED

Statement of Investments—AS AT NOVEMBER 30, 1976

(with comparative figures as at November 30, 1975)

Company	Class of shares	1976			1975	
		Number of shares	Percentage of outstanding shares	Indicated market value (Note 1)	Number of shares	Indicated market value (Note 1)
British Columbia Forest Products Limited	Common	—	—	—	500,000	\$ 7,875,000
Dominion Stores Limited	Common	2,000,000	23.5%	26,000,000	2,000,000	34,000,000
Domtar Limited	Common	2,500,000	16.9%	38,125,000	2,500,000	48,437,500
Hollinger Mines Limited	Class A Common	1,135,000	23.1%	30,645,000	1,050,000	30,450,000
Massey-Ferguson Limited	Common	3,000,000	16.4%	60,750,000	3,000,000	60,000,000
Standard Broadcasting Corporation Limited	Common	2,687,475	47.7%	20,827,931	2,687,475	20,156,063
				<u>\$176,347,931</u>		<u>\$200,918,563</u>

AUDITORS' REPORT

To the Shareholders of

ARGUS CORPORATION LIMITED:

We have examined the balance sheet and the statement of investments of Argus Corporation Limited as at November 30, 1976 and the statements of earned surplus, unrealized gain on investments, income and expenses and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Corporation as at November 30, 1976 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, December 15, 1976

PRICE WATERHOUSE & CO.

Chartered Accountants

